

No securities commission or similar authority in Canada nor the Registrar General of Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

This prospectus is not, and under no circumstances is to be construed as, a public offering of any of these Bonds or Shares for sale in the United States of America or in any of the territories or possessions thereof.

Speculative New Issue

Prospectus of Industrial Company

Computel Systems Ltd.

(Incorporated under the laws of Canada)

\$1,350,000 9% First Mortgage Sinking Fund Bonds

To be dated January 15, 1968

To mature January 15, 1975

and

27,000 Common Shares without nominal or par value

Offered in Units of \$1,000 9% First Mortgage Sinking Fund Bonds and 20 Common Shares without nominal or par value

The Bonds will be available in fully registered form in denominations of \$1,000 and authorized multiples thereof and, on or after January 15, 1970, in coupon form in the denomination of \$1,000 with provision for registration as to principal only. Coupon Bonds and fully registered Bonds will be interchangeable.

Principal, interest (January 15 and July 15) and redemption premium, if any, will be payable in lawful money of Canada at any branch in Canada of the Company's Bankers at the holder's option.

The Bonds will be redeemable at the principal amount thereof plus accrued interest to the date specified for redemption for sinking fund purposes and on termination of the Purchase Fund referred to in this Prospectus if the Company does not obtain title to its Computer on or before December 1, 1968. Otherwise, the Company will have the right, upon giving at least 30 days' prior notice, to redeem at any time all the outstanding Bonds or from time to time any part thereof, at 109% of the principal amount thereof if redeemed on or before January 15, 1969, and thereafter at progressively lower redemption prices in each year to 100% of the principal amount thereof if redeemed after January 15, 1974; in each case plus accrued interest to the date specified for redemption.

The Company will covenant in the Trust Deed to establish a sinking fund commencing in 1969 to retire \$1,158,000 principal amount of the Bonds prior to maturity.

Trustee for the Bonds

Victoria and Grey Trust Company, Toronto

Transfer Agent and Registrar for the Shares

Canada Permanent Trust Company, Toronto and Ottawa

= \$307
10-for-1

	Price to Public (1).	Underwriting Discount	Proceeds to Company (1) and (2).
Per Unit	\$1,600	\$92.50	\$1,507.50
Total	\$2,160,000	\$124,875	\$2,035,125

(1) Plus accrued interest from January 15, 1968 to the date of delivery.

(2) Before deducting expenses payable by the Company estimated not to exceed \$25,000.

These are speculative securities. Reference is made to Page 4 of this prospectus under the sub-heading "Speculative Nature".

We, as principals, offer these Units subject to prior sale and change in price, if, as and when issued by the Company and accepted by us and subject to the approval of all legal matters on behalf of the Company by Messrs. Gowling, MacTavish, Osborne and Henderson, Ottawa, and on our behalf by Messrs. Blake, Cassels & Graydon, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Bonds and the Shares in definitive form will be available for delivery in Toronto on or about February 15, 1968.

A. E. Ames & Co.
Limited

Business Established 1889

TORONTO MONTREAL NEWYORK LONDON, ENG. VANCOUVER VICTORIA WINNIPEG CALGARY EDMONTON QUEBEC
LONDON HAMILTON OTTAWA KITCHENER ST. CATHARINES OWEN SOUND PETERBOROUGH PARIS, FRANCE LAUSANNE, SWITZERLAND

February 5, 1968

Printed in Canada

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The Company

Computel Systems Ltd. (the "Company") was incorporated as a private company under the laws of Canada by Letters Patent dated September 6, 1967. By Supplementary Letters Patent dated October 30, 1967, the name of the Company was changed from Computel Services Limited to its present form; by Supplementary Letters Patent dated November 20, 1967, the authorized capital of the Company was changed to 100,000 common shares without nominal or par value; and by Supplementary Letters Patent dated November 27, 1967, the Company was converted into a public company. Its head office and principal office are at 222 Laurier Avenue West, Ottawa, Ontario.

Business of the Company

General

The Company proposes to operate a "Computer Utility" in Ottawa, Ontario to make advanced computer hardware available to users in the Ottawa area and through communications facilities to users in other major markets in Canada. For this purpose, the Company has agreed to purchase a Univac 1108 computer, herein called the "Computer" and defined on page 9 hereof under the subheading "Definitions".

The Computer

The Company's Computer installation will consist of the Computer purchased from Univac Division of Sperry Rand Canada Limited at an approximate cost of \$1,960,000 and certain ancillary equipment purchased or to be purchased at an approximate cost of \$240,000. The Computer consists of two main parts: (a) the actual equipment, known as "hardware", consisting of one Univac 1108 central processor, main storage facilities, 4 FH-432 high-speed drum storage units, a Fastrand II mass storage drum system, 4 Uniservo VIIIC magnetic tapes, 3 1004 II subsystems and 12 channels including 5 dedicated as telephone ports for remote access from terminals in customers' premises; and (b) the technical programs, known as "software", supplied by Univac for utilizing the Computer's equipment, which are kept in both written and recorded form. Virtually all of the Computer, including ancillary equipment, has been delivered to and installed in the Company's premises at 222 Laurier Avenue West, Ottawa. A testing and inspection program is now being carried out and it is expected that the Computer installation will be in substantially full commercial operation by early February, 1968.

The Company's guarantee to its contracted customers is that all data submitted to the Company will be processed within forty-eight hours; to its other customers, the Company's commitment is only to process all data submitted to it as rapidly as possible. The Company has entered into a full maintenance contract for the Computer with Univac Division of Sperry Rand Canada Limited, which is referred to in item (2) on page 11 hereof under the heading "Material Contracts". In the event of breakdown of the Company's Computer, the Company has arranged for the use of equipment with similar capabilities owned by other private organizations. Through test-runs made during a maintenance period each day, built-in controls on the Computer and supervision at all times by four fully qualified operators, the Company has devised a system of operation for its Computer which in its view will be substantially trouble and error free in terms of the existing standards in the industry. It is Company policy to rerun without charge any customer's data where it cannot be clearly demonstrated that errors in the final results were caused by the customer.

Method of Operation

The Company's Computer is a digital computer and is capable of handling both scientific programs and data processing. Although the Company has obtained from Univac a number of common programs or "software" which cover major areas of common usage of equipment of this nature, the Company's customers will generally provide both the programs to be used and the input of data. The Company will sell Computer time to any prospective subscriber or customer (including Federal Government departments, all other levels of Government, industrial and other concerns and public or private service industries) for operations research, econometrics and similar applications of scientific computers. The Com-

pany proposes to install remote terminals on the premises of major users which will be connected to the Computer by "voice grade" telephone lines, thus permitting on-premises use of the Computer by the Company's customers. A customer will telephone the Company using normal telephone lines, make arrangements with one of the operators at the Company's premises and then transmission of data to the Computer can commence. Based on the Company's estimates, approximately 500 hours per month of Computer time will be available for sale. When in full operation, the Company will have 25 employees, most of whom will be highly qualified in their respective fields.

Markets

Based on investigations made by Company officials and outside specialists, there is a significant demand in Ottawa in many Federal Government departments and in many industrial and other concerns and public and private service industries in Eastern Canada for a computer with the capabilities of the Company's Computer. Although it is not usual in the computer industry for subscribers to enter into written contracts, the Company has already obtained signed contracts with certain Federal Government departments; and additional contracts are in the process of being signed with such departments. The Company has also had indications of interest in further purchases of time from other Government departments, a number of industrial and service concerns and certain educational and hospital institutions, all in Eastern Canada. In the opinion of the Company, many levels of Government, industrial and other concerns, and public and private service industries in Canada, especially in Montreal and in Toronto, are possible purchasers of time on the Company's Computer.

The Company is setting up the first Computer Utility in Canada. Its only competitors at present are manufacturers of computing equipment (who sell computer time as a marketing tool), the owners and lessees of computers (either private, institutional or governmental bodies who have excess time to sell, the availability of such time being subject, of course, to the needs of such owners or lessees) and two major U.S. Computer Utilities which might compete with the Company, one of which has installed certain remote terminals in Western Canada. There are also a substantial number of other concerns located in Canada and the United States supplying overlapping services. However, the area of effective competition by others is limited by long distance telephone charges. In the Company's view, there will be no direct competition with the Company in Eastern Canada.

Speculative Nature

Any investment made in the Units being offered must be considered as speculative since the Company has not yet entered into active commercial operations and has no earnings record.

Founders

The two founders of the Company are its president, Warren D. Beamish, and its vice-president, Robert T. Horwood. These two each have approximately six years' experience in the computer industry. Mr. Beamish graduated from the University of Toronto in Engineering Physics and has spent the major part of his career with Univac Division of Sperry Rand Canada Limited, latterly as manager of large scale marketing to the Federal Government in the Ottawa area. Mr. Horwood graduated from McGill University in Mathematics and Physics and has since that time been directly involved in work with computers, his last position being Chief, Computer Systems Division, National Energy Board.

Details of Offering of Units

The Bonds and the shares will be offered in Units each consisting of \$1,000 principal amount of Bonds and 20 common shares without nominal or par value in the capital of the Company, each Unit having an aggregate price of \$1,600 in lawful money of Canada. The Bonds and the shares are described in greater detail later in this prospectus. There is at present no established market for the common shares offered hereby and the price thereof has been determined by negotiation.

Plan of Distribution

Under a letter agreement with A. E. Ames & Co. Limited dated January 2, 1968, the Company has agreed to sell and A. E. Ames & Co. Limited has agreed to buy the \$2,160,000 aggregate principal amount of Bonds and shares offered hereby at an aggregate price of \$2,035,125 payable in cash against delivery of such Bonds and shares on or about February 15, 1968. The obligations of A. E. Ames & Co. Limited are subject to the fulfillment of legal requirements and certain other terms and conditions stated in such letter agreement.

Use of Proceeds

The net proceeds to be received by the Company from the sale of the securities offered hereby amounting to \$2,035,125 will be paid into and will become the Purchase Fund which is referred to on page 8 hereof under the heading "Purchase Fund."

Capital Structure

	<u>Authorized</u>	<u>Outstanding November 30, 1967</u>	<u>Outstanding January 10, 1968</u>	<u>Outstanding if all Units to be issued are sold</u>
Current Debt:				
Secured Bank Loan (1) & (2)	\$ 640,000	\$100,000	\$640,000	nil
Long Term Debt:				
First Mortgage Sinking Fund				
Bonds due January 15, 1975	\$1,350,000	nil	nil	\$1,350,000
Capital Stock:				
Common shares without nominal or par value.....	100,000 shares	23,000 shares (\$251,666)	23,000 shares (\$251,666)	50,000 shares (\$990,791)

- (1) The Company is indebted to its bankers in the amount of \$640,000 under a bank loan payable on demand. The proceeds were used to make payments on account of the purchase price of the Computer. Such bank loan is secured by an assignment by the Company to the bank of the first \$640,000 of the net proceeds referred to above under the heading "Use of Proceeds" and is guaranteed by A. E. Ames & Co. Limited. As security for the said guarantee, the Company has assigned A. E. Ames & Co. Limited the Computer Deposit and Proceeds and the Insurance Proceeds (as defined on page 9 hereof under the subheading "Definitions"), which shall be released by A. E. Ames & Co. Limited contemporaneously with the purchase by it of the securities hereby offered.
- (2) There is no other substantial indebtedness outstanding or proposed to be created or assumed by the Company not shown in the balance sheet or pro forma balance sheet as at November 30, 1967 forming part of this prospectus other than indebtedness incurred or to be incurred or assumed in the ordinary course of business (with the exception of the sum of \$540,000 which was advanced subsequent to that date by the Company's bankers and to which reference is made in note (1) above).
- (3) The obligations of the Company with respect to leases of real property are set forth in Note 6 to the Financial Statements appearing on page 17 hereof.

Description of the Shares

General

The capital of the Company consists solely of common shares without nominal or par value of the class being offered by this prospectus. The shares are entitled to dividends as and when declared by the board of directors; are entitled to one vote per share; are entitled, upon liquidation, to receive pro rata

such assets of the Company as are distributable to shareholders; and have no pre-emptive or conversion rights. The outstanding shares and the shares hereby offered are and will be fully paid and non-assessable.

Dividend Restrictions and Policy

The restrictions on the payment of dividends on the shares of the Company are as contained in the Trust Deed as more particularly described under the heading "Dividend Restriction" on page 7 hereof. The payment of dividends, subject to the foregoing restriction, will ultimately be determined by the board of directors on the basis of earnings, financial requirements and other relevant factors.

Prior Sales

There have been no prior sales of Bonds. From September 6, 1967 (the date of incorporation) to the date hereof, the Company has issued and sold 23,000 shares at an aggregate price of \$251,666 (after making adjustment for the changes provided by the Supplementary Letters Patent dated November 20, 1967 referred to on page 3 hereof under the heading "The Company"), as follows:

<u>Number of Shares</u>	<u>Price per Share</u>	<u>Aggregate Price</u>
10,000	\$ 4.00	\$ 40,000
2,500	8.00	20,000
8,500	16.66 $\frac{2}{3}$	141,666
2,000	25.00	50,000
<u>23,000</u>		<u>\$251,666</u>

Transfer Agent and Registrar

The transfer agent and registrar of the Company's shares is Canada Permanent Trust Company, at its transfer office in the cities of Toronto and Ottawa.

Description of the Bonds

The following is a brief summary of the material attributes and characteristics of the Bonds, which does not purport to be complete and is qualified in its entirety by reference to the Trust Deed.

Trust Deed

The 9% First Mortgage Sinking Fund Bonds (herein referred to as the "Bonds") will be issued under and secured by a deed of trust and mortgage (herein referred to as the "Trust Deed") dated as of January 2, 1968 and entered into between the Company and Victoria and Grey Trust Company, as Trustee (hereinafter referred to as the "Trustee").

The Bonds

The aggregate principal amount of Bonds that may be issued under the Trust Deed is limited to \$1,350,000 in lawful money of Canada. The Bonds will be dated January 15, 1968; will mature on January 15, 1975; and will bear interest at the rate of 9% per annum payable half-yearly on January 15 and July 15 in each year. The principal of all Bonds and the interest and premium, if any, thereon will be payable in lawful money of Canada at any branch in Canada of the Company's bankers, at the holder's option. The register for the Bonds will be kept by and at the principal office of the Trustee in the city of Toronto.

Security

The Bonds will be direct obligations of the Company and will be secured, subject to Permitted Encumbrances as defined on page 9 hereof, by a first fixed and specific mortgage, pledge and charge on and of (i) the Computer and all Accessions thereto, as defined on page 9 hereof, (ii) the Purchase Fund as defined on page 8 hereof, (iii) the Computer Deposit and Proceeds, as defined on page 9 hereof, (iv) the Insurance Proceeds, as defined on page 9 hereof, and (v) all cash and other securities and assets that may at any time be deposited with or held by the Trustee in accordance with the provisions of the Trust Deed.

Redemption

The Company, when not in default under the Trust Deed, will have the right at any time prior to maturity, upon giving at least thirty days' prior notice, to redeem at any time all of the outstanding Bonds or from time to time any part thereof selected by lot, at the following percentages of the principal amount thereof:

- 109.00% if redeemed on or before January 15, 1969;
- 107.50% if redeemed thereafter and on or before January 15, 1970;
- 106.00% if redeemed thereafter and on or before January 15, 1971;
- 104.50% if redeemed thereafter and on or before January 15, 1972;
- 103.00% if redeemed thereafter and on or before January 15, 1973;
- 101.50% if redeemed thereafter and on or before January 15, 1974;
- and thereafter at 100% of the principal amount thereof;

in each case plus accrued interest to the date specified for redemption, the whole constituting the redemption price. The Trustee, however, will have the right to redeem the Bonds at the principal amount thereof plus accrued interest to the date specified for redemption for sinking fund purposes as referred to below under the heading "Sinking Fund" and on termination of the Purchase Fund (if the Company does not obtain title to its Computer on or before December 1, 1968) as referred to on page 8 hereof under the heading "Purchase Fund".

The Company will also have the right to purchase the Bonds at any time and from time to time in the open market or by private contract, at prices not exceeding the then current redemption price plus costs of purchase.

Bonds redeemed or purchased by the Company shall be cancelled and shall not be reissued.

Sinking Fund

The Company will covenant in the Trust Deed to establish a sinking fund to retire not less than \$1,158,000 principal amount of the Bonds prior to maturity and for such purpose to pay to the Trustee on January 15, in each of the years 1969 to 1974 inclusive, an amount sufficient to retire \$193,000 principal amount of Bonds as a mandatory sinking fund retirement in each of such years; provided, however, that the Company will have the right at any time and from time to time to direct that Bonds redeemed or purchased by the Company be applied in satisfaction, to the extent of the principal amount thereof, of any sinking fund payment then due or thereafter to fall due.

Moneys received by the Trustee for the sinking fund for the Bonds shall be applied by the Trustee to the purchase of Bonds, in the open market or by tender or by private contract, at prices not exceeding the principal amount thereof, plus accrued interest and costs of purchase, until the Trustee has for the sinking fund the required principal amount of Bonds, provided that if within a period of sixty days following receipt by the Trustee of any such moneys or within such shorter period as the Company may from time to time designate, the Trustee has been unable to complete the mandatory sinking fund retirements with cash then held by the Trustee in the sinking fund pursuant to the provisions of the Trust Deed, the Trustee shall forthwith apply such moneys (unless the same amount to less than \$25,000 when such moneys will only be so applied upon request of the Company), upon giving at least thirty days' prior notice, to the redemption of Bonds selected by lot at the principal amount thereof, plus accrued interest to the date specified for redemption, to the principal amount necessary to complete mandatory sinking fund retirements. If at any time any moneys provided for the sinking fund shall remain in the hands of the Trustee after all the mandatory sinking fund retirements shall have been effected, such moneys shall be repaid to the Company.

The Trust Deed will not permit the Company to anticipate sinking fund obligations by the deposit of cash with the Trustee.

Bonds purchased or redeemed through the sinking fund shall be cancelled and shall not be re-issued.

Dividend Restriction

The Company will not make any payment or distribution to its shareholders or any of them by way of dividend in cash or in specie or by way of purchase, redemption or reduction of capital or by payment

of tax on undistributed surplus under Section 105 of the Income Tax Act (Canada) or any section or provision amending the said Section 105 or substituted therefor, so long as any Bonds remain outstanding; provided that the prohibition of this covenant shall not apply to (i) the payment of dividends on or the satisfaction of mandatory retirement provisions in respect of any preferred shares of its capital (other than in respect of preferred shares issued by way of stock dividend on common shares of the Company), (ii) the declaration, payment or distribution of stock dividends, or (iii) any payment or distribution by way of purchase, redemption or reduction of capital if made out of the proceeds of an issue of shares by the Company made concurrently with or prior to such purchase, redemption or reduction.

Purchase Fund

All the proceeds of the securities offered hereby (and any investments representing the same together with the revenue derived therefrom) will be deposited with and held by the Trustee as a "Purchase Fund" upon the terms and conditions set forth in the Trust Deed. To the extent that the Company is not entitled to cause the Trustee to immediately use the Purchase Fund in the manner indicated in subparagraph (a) below, the Trustee will, subject to certain provisions, invest and reinvest such proceeds from time to time in accordance with the instructions of the Company in investments of the kind described or referred to in paragraphs (a) to (i), both inclusive, of subsection 1 of section 63 of the Canadian and British Insurance Companies Act (Canada) maturing not later than the earlier of (i) sixty days after the date of investment or reinvestment or (ii) January 15, 1969. The Trust Deed provides that the Purchase Fund will form part of the specifically mortgaged property securing the Bonds and that the Trustee will hold and use the Purchase Fund in the following manner:

- (a) if title to the Computer passes to the Company prior to or contemporaneously with the closing of the purchase by A. E. Ames & Co. Limited of the securities hereby offered, the Purchase Fund will be used by the Trustee as follows:
 - (i) as to approximately \$645,000 to pay off bank indebtedness of \$640,000 plus accrued interest thereon (which was incurred to make payments on account of the purchase price of the Computer),
 - (ii) as to approximately \$1,120,000 to pay the balance of the purchase price owing to Univac Division of Sperry Rand Canada Limited for the Computer pursuant to the terms of the Purchase Agreement referred to in item (1) on page 11 hereof under the heading "Material Contracts", and
 - (iii) as to the balance of approximately \$270,125 to pay it to the Company;
- (b) if title to the Computer does not pass to the Company prior to or contemporaneously with the closing of the purchase by A. E. Ames & Co. Limited of the securities hereby offered, the Purchase Fund will be used by the Trustee as follows:
 - (i) as to approximately \$645,000 to pay off the said bank indebtedness (as described above) contemporaneously with the said closing, and
 - (ii) as to the balance thereof to pay it in accordance with subparagraphs (ii) and (iii) of subparagraph (a) hereof, when title to the Computer passes to the Company; and
- (c) if title to the Computer does not pass to the Company on or before December 1, 1968, or such earlier date as the Company may consent to, the Purchase Fund will be used by the Trustee as follows:
 - (i) as to approximately \$645,000 to pay off the said bank indebtedness (as described above) contemporaneously with the said closing, and
 - (ii) as to the balance of approximately \$1,390,125 to redeem or pay off all the Bonds on or before January 15, 1969, in the latter case first by the payment of the principal thereof and then by the payment of accrued interest thereon to the final date specified for payment. If the Purchase Fund is not sufficient to pay all such accrued interest, the Computer Deposit and Proceeds and the Insurance Proceeds (as defined on page 9 hereof) will remain as security for the then unpaid interest accrued on the Bonds, and interest thereon.

Definitions

The Trust Deed will contain definitions, among other things, substantially as follows:

"Accessions" means all parts, equipment, erections, machinery and other chattels, all "software" and all repairs and replacements which may be added to or substituted for all or any part of the Computer during the continuance of the security constituted by the Trust Deed, provided that any such chattel newly added to the Computer (other than by way of repair, replacement or substitution) having a cost of acquisition in excess of \$10,000 shall not constitute and be Accessions.

"Computer" means one model 1108 computer purchased by the Company from Univac Division of Sperry Rand Canada Limited (pursuant to the Purchase Agreement referred to in item (1) on page 11 hereof under the heading "Material Contracts") and installed in the leased premises of the Company at 222 Laurier Avenue West, Ottawa, Ontario, together with certain ancillary equipment therefor, including software, all as more particularly described in the First Schedule to the Trust Deed.

"Customers' Leases" means all written or oral contracts now or hereafter made between the Company, as lessor, and any of its customers, as lessee, having a term of five years or less, for the use of time on and/or facilities in connection with the Computer, provided that such Customers' Leases shall not include leases of the Computer or any substantial part thereof;

"Permitted Encumbrances" means (i) Customers' Leases; (ii) liens for taxes not yet due or the validity of which is being contested in good faith; and (iii) undetermined or inchoate liens and charges incidental to current construction or current operations which have not at the time been duly filed or registered in accordance with applicable law.

"Computer Deposit and Proceeds" means all the right, title and interest of the Company in and to any claim which the Company may have against Univac Division of Sperry Rand Canada Limited for return of moneys paid on account of the purchase price of the Computer pursuant to the said Purchase Agreement or for damages for breach of the said Purchase Agreement, and any claim which the Company may have to insurance proceeds (if any) payable under insurance policies (with respect to loss or damage to the Computer) placed by the Company or by Univac Division of Sperry Rand Canada Limited on the Computer pursuant to the said Purchase Agreement, and in and to such policies.

"Insurance Proceeds" means all the right, title and interest of the Company in and to any claim which the Company may have to insurance proceeds (if any) payable under two policies of term life insurance placed by the Company respectively on the lives of W. D. Beamish and R. T. Horwood, such policies being each in the amount of at least \$200,000 and more particularly described in the Second Schedule to the Trust Deed, or payable under equivalent policies substituted therefor, and in and to such policies.

Shareholders and Management

Shareholders

To the knowledge of the Company, the following are the only shareholders of the Company who own of record or beneficially, directly or indirectly, 10% or more of the outstanding shares of the Company:

<u>Name and Address</u>	<u>Designation of class</u>	<u>Type of ownership</u>	<u>Number of shares owned</u>	<u>Percentage of class</u>
W. D. Beamish.....	common	beneficial and record	5,000	10%
R. T. Horwood.....	common	beneficial and record	5,000	10%

Directors and senior officers and certain key employees as a group beneficially own, directly or indirectly, 15,080 shares of the Company, representing 30.16% of the outstanding shares after giving effect to the sale of the securities hereby offered. These 15,080 shares are the subject of three escrow agreements described on page 13 hereof under the heading "Escrowed Shares". The shareholdings of Messrs. W. D. Beamish and R. T. Horwood (10,000 shares) are the subject of an Escrow Agreement dated January 2, 1968 referred to in item (9) on page 12 hereof under the heading "Material Contracts". The shareholdings of certain other directors (1,930 shares) and of Dr. J. L. Coupal, Messrs. R. W. Brooks-Hill, A. N. Steiner and E. W. Steiner and Robwaral Ltd. (3,870 shares) who are relatives of or controlled by directors, are the subject of an Escrow Agreement dated January 2, 1968 referred to in item (12) on

page 12 hereof under the heading "Material Contracts". The shareholdings of the said certain key employees (2,500 shares) were purchased at \$8 per share (after making adjustment for the changes provided by the Supplementary Letters Patent dated November 20, 1967 referred to on page 3 hereof under the heading "The Company") and are the subject of an Employees Escrow Agreement dated November 30, 1967 referred to in item (5) on page 12 hereof under the heading "Material Contracts".

Messrs. Beamish and Horwood are the promoters of the Company and their relationship is more particularly described on page 11 hereof under the heading "Promoters".

Directors and Officers

The names, home addresses in full, all positions and offices held with the Company and the principal occupations within the five preceding years of the directors and officers of the Company are set forth below:

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
WARREN DELACOUR BEAMISH 298 Clemow Avenue, Ottawa, Ontario	President and Director	President of the Company
ROBERT TEMPLE HORWOOD 156C Woodridge Crescent, Ottawa, Ontario	Vice-President, Secretary and Director	Vice-President of the Company
BERNARD DELACOUR BEAMISH 5 Cheviot Place, Toronto, Ontario	Treasurer and Director	Designer-Consultant of Automation Systems
FREDERICK BANCROFT BROOKS-HILL 41 Second Street, Oakville, Ontario	Director	Assistant Vice-President Confederation Life Association
ROBERT NEWMAN STEINER Mill Road, Ancaster, Ontario	Director	Senior Vice-President A. E. Ames & Co. Limited and Partner, A. E. Ames & Co.
JOHN SINCLAIR CORRIGAN 170 Roxborough Drive, Toronto, Ontario	Director	Vice-President John Wood Company Limited
CHARLES EDWARD COUPAL 155 Balliol Street, Toronto, Ontario	Director	Research and Sales, A. E. Ames & Co. Limited

During the last five years, all of the directors and officers of the Company have been employed in the various capacities (or in other capacities with the same employers) indicated opposite their names under the heading "Principal Occupation" other than as follows:

W. D. Beamish was an Account Executive and held other positions with Univac Division of Sperry Rand Canada Limited during the period 1961 to August 28, 1967, prior to his employment by the Company on September 6, 1967.

R. T. Horwood was associated with Aluminum Company of Canada Limited until September 30, 1964; thereafter he was Chief Systems Programmer of the University of Montreal until May, 1966; and thereafter he was a Computer Specialist and Chief, Computer Systems Division, National Energy Board, until September 15, 1967, prior to his employment with the Company on that date.

Remuneration

Since the incorporation of the Company on September 6, 1967 until November 30, 1967 the aggregate remuneration paid to the senior officers (including the five highest paid employees) of the Company was \$9,077. No remuneration was paid to directors as such.

No pension or retirement benefits are payable to senior officers or directors except under the Canada Pension Plan.

Management Interests

The only directors and senior officers, and the only shareholders named in the first paragraph under the subheading "Shareholders" on page 9 hereof, having any material interest, directly or indirectly, in any transaction with the Company during the past three years are as follows:

W. D. Beamish is a full-time employee of the Company and, as such, had an interest in the Employment Contract referred to in item (3) below under the heading "Material Contracts".

R. T. Horwood is a full-time employee of the Company and, as such, had an interest in the Employment Contract referred to in item (4) below under the heading "Material Contracts".

R. N. Steiner is a Senior Vice-President and shareholder of A. E. Ames & Co. Limited and, as such, had an interest in the Underwriting Agreement referred to in item (6) on page 12 hereof under the heading "Material Contracts".

Promoters

W. D. Beamish and R. T. Horwood took part in the formation and organization of the Company and may accordingly be considered as promoters of the Company. Their background is set forth on page 4 under the subheading "Founders". While no amount has been paid or is intended to be paid to them as such promoters, amounts have been paid to them in consideration of their services as full-time employees of the Company; the amounts of such payments made or to be made are included in the amounts disclosed under the heading "Remuneration" shown on page 10 hereof. In addition, Messrs. Beamish and Horwood have each purchased 5,000 shares of the Company for \$20,000 being a cost per share of \$4 as shown on page 9 under the subheading "Shareholders".

Material Contracts

During the past two years, the Company has entered or will enter into the following material contracts in addition to contracts in the ordinary course of business:

- (1) A Purchase Agreement dated December 1, 1967 between the Company and Univac Division of Sperry Rand Canada Limited, providing for the sale to the Company of the Computer (as defined on page 9 hereof under the heading "Definitions") including basic operating programs or computer "software". Under such agreement the Computer is warranted against defects in workmanship and material under normal use and service for thirty days after the completion of installation thereof.
- (2) Two Maintenance Contracts dated December 15, 1967 between the Company and Univac Division of Sperry Rand Canada Limited providing for full maintenance of the Computer (which in effect provides for the replacement without additional cost of all components of the Computer other than expendible parts, subject to the exceptions therein set forth) for a minimum term of not less than six months at a monthly cost of approximately \$7,500. The Underwriting Agreement referred to in item (6) below and the Trust Deed referred to in item (7) below contain a covenant by the Company that, if it cannot provide self-maintenance of the Computer and obtain insurance on all parts of the Computer having a replacement value of \$5,000 or more, it will continue the said Maintenance Contract in force so long as any Bonds are outstanding at such prices as it can from time to time negotiate with Univac Division of Sperry Rand Canada Limited.
- (3) An Employment Contract dated January 2, 1968 between the Company and Warren D. Beamish, for a term of employment ending on January 15, 1975, the date of maturity of the Bonds, subject to termination by the Company at any time on six months' notice and by the employee at any time after June 15, 1970 on six months' notice. The agreement contains a covenant restricting competition with the Company within defined areas (which include the Provinces of Ontario and Quebec) during the term of the Bonds.
- (4) An Employment Contract dated January 2, 1968 between the Company and Robert T. Horwood, for a term of employment ending on January 15, 1975, the date of maturity of the Bonds, subject

to termination by the Company at any time on six months' notice and by the employee at any time after June 15, 1970 on six months' notice. The agreement contains a covenant restricting competition with the Company within defined areas (which include the Provinces of Ontario and Quebec) during the term of the Bonds.

- (5) An Employees Escrow Agreement dated as of November 30, 1967 between certain key employees of the Company (who are not directors or senior officers of the Company and who purchased 2,500 shares of the Company at a price of \$8 per share as referred to on page 9 hereof under the sub-heading "Shareholders") of the first part, the Company of the second part and Canada Permanent Trust Company as Escrow Agent of the third part as referred to on page 13 hereof under the heading "Escrowed Shares".
- (6) An Underwriting Agreement dated January 2, 1968 between the Company and A. E. Ames & Co. Limited referred to on page 5 hereof under the heading "Plan of Distribution".
- (7) A Trust Deed dated as of January 2, 1968 between the Company and Victoria and Grey Trust Company, as Trustee, referred to on page 6 hereof under the subheading "Trust Deed".
- (8) An Assignment dated as of December 1, 1967 made by the Company in favour of A. E. Ames & Co. Limited as referred to in Note (1) on page 5 hereof under the heading "Capital Structure".
- (9) An Escrow Agreement dated January 2, 1968 between Warren D. Beamish and Robert T. Horwood of the first part, the Company of the second part and Canada Permanent Trust Company as Escrow Agent of the third part, as referred to on page 13 hereof under the heading "Escrowed Shares".
- (10) An Indenture of Lease made the 29th day of November, 1967 between The Manufacturers Life Insurance Company as Lessor and the Company as Lessee, whereby the Company was granted a leasehold interest in its premises at 222 Laurier Avenue West, Ottawa, Ontario for a term of five years from December 1, 1967 at an annual rental of \$16,000, payable monthly in advance, with an option to renew the said Lease upon similar terms and conditions for an additional term of five years from December 1, 1972 at an annual rental of \$16,800, payable monthly in advance.
- (11) An Indenture made as of the 2nd day of January, 1968 between The Manufacturers Life Insurance Company as Lessor, the Company as Lessee and Victoria and Grey Trust Company as Trustee, whereby the said Lessor released and waived, as against the said Trustee for the benefit of the Bondholders, all and any rights which the said Lessor has or may have against the Company and Accessions thereto pursuant to and by virtue of the said Indenture of Lease referred to in item (10) above.
- (12) An Escrow Agreement dated January 2, 1968 between B. D. Beamish, F. B. Brooks-Hill, R. W. Brooks-Hill, J. S. Corrigan, C. E. Coupal, Dr. J. L. Coupal, Robwaral Ltd., A. N. Steiner, E. W. Steiner and R. N. Steiner of the first Part, the Company of the second Part and Canada Permanent Trust Company as Escrow Agent of the third Part, as referred to on page 13 hereof under the heading "Escrowed Shares".

Copies of the foregoing contracts (other than contracts numbered (5), (7), (9), (11) and (12)), and when entered into, copies of contracts numbered (5), (7), (9), (11) and (12), may be inspected during ordinary business hours at the head office of the Company, 222 Laurier Avenue West, Ottawa, Ontario, while the Units offered by this prospectus are in the course of primary distribution to the public and for a period of 30 days thereafter.

Purchasers' Statutory Rights of Withdrawal and Rescission

With respect to any of the securities offered by this prospectus in the Province of Ontario, The Securities Act, 1966 (Ontario) confers on a purchaser in certain circumstances:

- (a) the right to withdraw from the contract to purchase such security if written or telegraphic notice evidencing the intention of the purchaser not to be bound by such contract is received

by the vendor not later than midnight on the second business day after the prospectus or amended prospectus is received or deemed to have been received by the purchaser or his agent;

- (b) the right to rescind the contract to purchase such security by commencing an action within ninety days from the date of such contract or the date on which the prospectus or amended prospectus is received or deemed to be received by the purchaser or his agent, whichever is later, if such prospectus, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made.

Reference is made to Sections 63 and 64 of The Securities Act, 1966 (Ontario) for the complete text of the provisions under which the foregoing rights are conferred.

Auditors

The auditors of the Company are Messrs. Clarkson, Gordon & Co., Chartered Accountants, 116 Albert Street, Ottawa, Ontario.

Escrowed Shares

The 10,000 shares held by Warren D. Beamish and Robert T. Horwood (as referred to on page 9 hereof under the subheading "Shareholders") are subject to an Escrow Agreement dated January 2, 1968 between Warren D. Beamish and Robert T. Horwood of the first part, the Company of the second part, and Canada Permanent Trust Company as Escrow Agent of the third part, which provides that at or before the closing of the underwriting of the securities offered hereby, such 10,000 shares will be irrevocably placed in escrow with the Escrow Agent, will be held until released from escrow as hereinafter provided and may be released from escrow at any time only upon the prior written consent of the Company and the Ontario Securities Commission. The Agreement also provides that such shares shall not be transferred, hypothecated or otherwise alienated within escrow without the prior written consent of the Ontario Securities Commission. The Agreement contains a covenant and agreement by Messrs. Beamish and Horwood that they will not make any application for release of shares from escrow until after December 31, 1969 and that thereafter they will not apply for release from escrow at a rate faster than three equal annual instalments, equally between Messrs. Beamish and Horwood, on the 31st day of December in each of the years 1970, 1971 and 1972, commencing December 31, 1970. The Escrow Agreement provides that it is irrevocable to the extent that it may not be amended to provide for the earlier release of the said 10,000 shares from escrow and that, in the event that either of Warren D. Beamish or Robert T. Horwood leaves the employment of the Company prior to January 1, 1973, no further shares will be released from escrow to the departing employee prior to December 31, 1972, subject always to the prior written consent of the Company and the Ontario Securities Commission.

The 5,800 shares held by Messrs. B. D. Beamish, F. B. Brooks-Hill, J. S. Corrigan, C. E. Coupal, and R. N. Steiner and by Dr. J. L. Coupal, Messrs. R. W. Brooks-Hill, A. N. Steiner and E. W. Steiner and Robwaral Ltd. (as referred to on page 9 hereof under the subheading "Shareholders"), all of which are beneficially owned, directly or indirectly, by directors of the Company or their relatives, are subject to an Escrow Agreement dated January 2, 1968 between such shareholders of the first part, the Company of the second part and Canada Permanent Trust Company as Escrow Agent of the third part, which provides that at or before the closing of the underwriting of the securities offered hereby, such shares will be irrevocably placed in escrow with the Escrow Agent, will be held until released from escrow as hereinafter provided and may be released from escrow at any time only upon the prior written consent of the Company and the Ontario Securities Commission. The Agreement also provides that such shares shall not be transferred, hypothecated or otherwise alienated within escrow without the prior written consent of the Ontario Securities Commission. The Escrow Agreement provides that it is irrevocable to the extent that it may not be amended to provide for the earlier release of the said 5,800 shares from escrow.

The 2,500 shares held by certain key employees of the Company (as referred to on page 9 hereof under the subheading "Shareholders") are subject to an Employees Escrow Agreement dated as of

November 30, 1967 between the said employees of the first part, the Company of the second part and Canada Permanent Trust Company as Escrow Agent of the third part, which provides that at or before the closing of the underwriting of the securities offered hereby such 2,500 shares will be irrevocably placed in escrow with the Escrow Agent, will be held by the Escrow Agent subject as hereinafter provided, and may be released from escrow in five equal annual instalments pro rata among the employees beneficially entitled thereto on the 31st day of December in each of the years 1968 to 1972 inclusive, commencing on December 31, 1968. The Employees Escrow Agreement provides that it is irrevocable to the extent that it may not be amended to provide for the earlier release of such shares from escrow and that, in the event that any of such employees leaves the employment of the Company prior to January 1, 1973, no further shares will be released from escrow to any such departing employee prior to December 31, 1972. The Employees Escrow Agreement also provides that such shares shall not be mortgaged or hypothecated, but specifically provides that the shares of any of such employees

- (i) whose employment is terminated other than by death, or
- (ii) who voluntarily wish to dispose of some or all of their shares,

may be acquired at \$8 per share by other employees of the Company designated by the Company's board or, in default thereof, pro rata by the remaining employees who are parties to this Employees Escrow Agreement who indicate their desire to purchase such shares.

Maximum Annual Interest Requirements

Maximum annual interest requirements of the Bonds will amount to \$121,500.

Assets

The accompanying Pro Forma Balance Sheet of the Company as at November 30, 1967 shows net tangible assets to be as follows:

Current Assets.....	\$9,677	
Deduct: Current Liabilities.....	<u>4,193</u>	
Net Current Assets.....		\$ 5,484
Fixed Assets.....		<u>2,230,000</u>
Net Tangible Assets (before deduction of long term debt).....		<u>\$2,235,484</u>

Such net tangible assets are equivalent to approximately \$1,656 for each \$1,000 principal amount of Bonds to be outstanding.

Computel Systems Ltd.
(Incorporated on September 6, 1967 under the laws of Canada)

Balance Sheet and Pro Forma Balance Sheet

November 30, 1967

ASSETS

	<u>Balance Sheet</u>	<u>Pro Forma Balance Sheet (note 1)</u>
CASH	\$ 9,565	\$ 9,677
DEPOSIT ON COMPUTER (notes 2 and 3)	<u>300,000</u>	
FIXED ASSETS, AT COST:		
Computer and ancillary equipment		2,200,000
Leasehold improvements		<u>30,000</u>
		<u>2,230,000</u>
OTHER:		
Pre-operating expenses	26,307	26,307
Bond and share issue expenses (including bond discount of \$54,000) ..		<u>79,000</u>
	<u>26,307</u>	<u>105,307</u>
	<u><u>\$335,872</u></u>	<u><u>\$2,344,984</u></u>

LIABILITIES

CURRENT:		
Bank loan (note 3)	\$100,000	
Accounts payable and accrued charges	<u>4,193</u>	\$ 4,193
	<u>104,193</u>	<u>4,193</u>
LONG TERM DEBT:		
9% First Mortgage Sinking Fund Bonds, due January 15, 1975 (note 4)		1,350,000
CAPITAL:		
Authorized—		
100,000 common shares without nominal or par value		
Issued (note 5)—		
Balance sheet		
23,000 shares	251,666	
Less subscriptions receivable	<u>19,987</u>	
	<u>231,679</u>	
Pro Forma balance sheet		
50,000 shares		990,791
	<u><u>\$335,872</u></u>	<u><u>\$2,344,984</u></u>

Approved on behalf of the Board:

(Signed) WARREN D. BEAMISH, Director

(Signed) B. D. BEAMISH, Director

(see accompanying notes)

Computel Systems Ltd.

Statements of Pre-Operating Expenses and Source and Application of Cash for the period from September 6, 1967 to November 30, 1967

Pre-Operating Expenses

Salaries.....	\$10,179
Rent.....	5,499
Professional services.....	4,000
Travel.....	2,956
Advertising and promotion.....	1,406
Office supplies.....	749
Telephone and telegraph.....	508
Bank interest and charges.....	481
General.....	309
Employee benefits.....	220
	<u>\$26,307</u>

Source and Application of Cash

Source of cash:

Shares issued.....	\$231,679
Bank loan.....	100,000
Accounts payable and accrued charges.....	4,193
	<u>335,872</u>

Application of cash:

Deposit on computer.....	300,000
Pre-operating expenses.....	26,307
	<u>326,307</u>

Cash, November 30, 1967.....	<u>\$ 9,565</u>
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COMPUTEL SYSTEMS LTD.

NOTES TO BALANCE SHEET AND PRO FORMA BALANCE SHEET NOVEMBER 30, 1967

1. The pro forma balance sheet at November 30, 1967 gives effect to the following transactions:
 - (a) An increase of \$540,000 in the bank loan on January 10, 1968 to finance the second instalment payment on the Computer.
 - (b) The issue and sale, pursuant to an underwriting agreement dated January 2, 1968 between the Company and A. E. Ames & Co. Limited of
 - (i) \$1,350,000 9% First Mortgage Sinking Fund Bonds for a cash consideration of \$1,296,000, and
 - (ii) 27,000 common shares for a cash consideration of \$739,125,
 and the payment of estimated expenses of \$25,000 in connection with such issue.
 - (c) The collection of the subscriptions receivable of \$19,987.
 - (d) The application of the net proceeds of (b) and (c) above to
 - (i) the repayment of the bank loan of \$640,000 (note 3),
 - (ii) the payment of the remainder of the acquisition cost of the Computer amounting to approximately \$1,120,000 (note 2),
 - (iii) the acquisition of additional equipment for approximately \$240,000, and
 - (iv) the improvement of leased premises at an estimated cost of \$30,000.
2. On December 1, 1967 the Company signed an agreement with Univac Division of Sperry Rand Canada Limited for the purchase of a Univac 1108 computer and ancillary equipment for approximately \$1,960,000. The terms of payment require that \$300,000 be paid prior to the date of signing the agreement, \$540,000 when the Computer is delivered by Univac and the balance of approximately \$1,120,000 upon the completion of the installation of the Computer.

3. The bank loan at November 30, 1967 as well as the additional bank borrowings referred to in note 1(a) above are secured by an assignment to the bank of the first \$640,000 of the net proceeds of the issue and are guaranteed by A. E. Ames & Co. Limited. The Company has assigned to A. E. Ames & Co. Limited the deposit on the Computer as security for the guarantee.
4. Under the terms of the Trust Deed securing the Bonds —
- (a) annual sinking fund instalments of \$193,000 will be required for the years 1969 to 1974 inclusive;
 - (b) the Company has the right to redeem the Bonds at rates varying from 109% of the principal amount thereof if redeemed on or before January 15, 1969, and thereafter at progressively lower redemption prices in each year to 100% of the principal amount thereof if redeemed after January 15, 1974;
 - (c) if title to the Computer does not pass to the Company on or before December 1, 1968, all the Bonds are to be redeemed on or before January 15, 1969 at their par value plus accrued interest;
 - (d) the Bonds will be secured by a specific charge on the Computer, the Purchase Fund, the Computer Deposit and Proceeds and the Insurance Proceeds as defined on pages 8 and 9 of the Company's prospectus; and
 - (e) the Company may not pay any cash dividends on its common shares until all of the outstanding Bonds have been retired.
5. 2,500 common shares were issued to certain key employees on November 30, 1967 for \$20,000. Of this amount \$13 was received on issue and the balance of \$19,987 was received by December 15, 1967. The remaining 20,500 shares were issued for cash of \$231,666.
6. Under a rental agreement the Company will occupy leased premises at an annual rental of \$16,000. The lease is for a five year period commencing December 1, 1967, and can be renewed for an additional five year period at an annual rental of \$16,800. In addition, the Company proposes to lease certain ancillary equipment on a monthly basis for a rent which could reach a maximum of \$5,000 a month and has arranged for maintenance services on the Computer and all ancillary equipment at a monthly cost of \$7,500.

Auditors' Report

To the Directors of

COMPUTEL SYSTEMS LTD.:

We have examined the balance sheet and pro forma balance sheet of Computel Systems Ltd. as at November 30, 1967 and the statements of pre-operating expenses and source and application of cash for the period from date of incorporation September 6, 1967 to November 30, 1967. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

(a) The accompanying balance sheet and statements of pre-operating expenses and source and application of cash present fairly the financial position of the Company at November 30, 1967 and the results of its operations and the source and application of its cash for the period then ended, and

(b) The accompanying pro forma balance sheet presents fairly the financial position of the Company at November 30, 1967, after giving effect as of that date to the changes set forth in note 1 to the balance sheets,

all in accordance with generally accepted accounting principles applied on a consistent basis.

Ottawa, Canada,
January 18, 1968.

(Signed) CLARKSON, GORDON & Co.
Chartered Accountants.

Additional Information

There are no material facts relating to the Company not disclosed in this prospectus.

DATED: February 5, 1968

Certificate of Company

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder.

(Signed) WARREN D. BEAMISH
Chief Executive Officer

(Signed) B. D. BEAMISH
Chief Financial Officer

On behalf of the Board of Directors

(Signed) R. N. STEINER, Director

(Signed) F. B. BROOKS-HILL, Director

Certificate of Promoters

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder.

(Signed) WARREN D. BEAMISH

(Signed) R. T. HORWOOD

Certificate of Underwriter

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder.

A. E. AMES & CO. LIMITED

By: (Signed) J. M. STEWART

The following are the names of all persons having an interest, directly or indirectly, to the extent of not less than 5% in the capital of A. E. Ames & Co. Limited: J. O. Hughes, W. P. Spragge, W. J. Piper, W. B. Macdonald, J. M. Stewart, D. B. Shaw, R. N. Steiner, R. W. Warren and W. Robson.

